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ADOPTION OF THE REPORT OF THE COMMISSION ON THE SECOND PART OF ITS EIGHTEENTH SESSION

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Draft report

Addendum

Chapter ___

TRANSNATIONAL CORPORATIONS IN SOUTH AFRICA

The Commission considered item 5 of its agenda at its sixth and seventh meetings on 10 April 1992. It had before it the following documents:

(a) Report of the Secretary-General on the role of transnational corporations in South Africa (E/C.10/1992/6);

(b) Report of the Secretary-General on transnational corporations with interests in South Africa (E/C.10/1992/7).

In introducing the item, the Assistant Director said that the country had reached a turning-point in its history, demonstrated by the positive results of the referendum of 17 March in which 69 per cent of the white electorate had voted for constitutional reform. A successful political transformation would require that economic prosperity be spread among a broader base of the population. At the present time, inequalities persisted, evidenced by the fact that the black population owned only 13 per cent of the land. There was also a high degree of concentration in the economy, as shown by the fact that six corporations owned over 85 per cent of the shares of the Johannesburg Stock Exchange.

The Secretary-General's report on the role of transnational corporations in South Africa gave an overall assessment of the impact of sanctions. The report also presented a rather optimistic overall picture for the long term, particularly as the economy was shifting towards a broader manufacturing base and as the foreign trade and investment decisions that were put on hold before the referendum were now likely to resume pace.

There was agreement among the delegations that sanctions had played a positive role in support of the internal struggle and in influencing the Government of South Africa to take steps to dismantle apartheid. It was now up to the democratic forces of the country to create new economic and commercial opportunities. Delegations commended the Centre for the objectivity and balanced nature of the report on TNCs in South Africa and for the timeliness of its conclusions, which were in line with the evolving situation.

There were two prevailing views among delegations regarding the monitoring of developments by the United Nations in the area. One view stressed that the phased application of appropriate economic pressure on South Africa was still required until the complete dismantlement of apartheid had taken place. A more far-reaching view was that restrictive measures had been or were in the process of being lifted in response to the changes taking place in South Africa towards a democratic constitution and that the focus of the role of the United Nations in the area should shift to how transnational corporations could promote economic and social development in a new democratic South Africa, in the context of development in the region as a whole.

Within the latter context, one delegation, speaking on behalf of a group of States, felt that gradual decisions were needed: in the first stage a decision to lift the ban on new investments, and later a decision to lift the oil embargo and the restrictive measures in the cultural, scientific, and sporting fields; those actions would encourage positive developments in South Africa, in particular the establishment of an interim Government. This group of States was in the process of reviewing the latest application of the Code of Conduct of the European Community in the light of its usefulness as a means of promoting and influencing fundamental changes in South Africa. Through implementation of the Code, European companies had contributed to the dissemination of goals pursued by the European Community and its Member States with regard to democracy, a market economy and improved labour relations, which are a major issue under discussion within the process of a Convention for a Democratic South Africa (CODESA). This group of States was well aware of the important role TNCs could play in South Africa, in their role in the creation of much needed jobs and improvement of labour relations, which would benefit the black workforce, and in the potential activities of TNCs in training and upgrading qualified black Africans. The European Community felt that a peaceful post-apartheid South Africa would have a better chance of attracting investment and creating conditions for stable economic growth, which would benefit in particular the black workforce but also the surrounding States of the region. Regarding the future work of the Commission concerning South Africa, current changes should be taken into consideration.

Another delegation said that as it was stated in the Secretary-General's report, positive developments had taken place towards a new and democratic regime in South Africa. Among the major developments in that direction were the strong endorsement of the reform by President De Klerk and by the overwhelming majority in the referendum held last month. That delegation regarded the reform process under way as irreversible. The role of the Commission would be to focus upon how transnational corporations could promote the efforts for economic and social development of a new and democratic South Africa as part of the development of the southern African region.

One delegation, reflecting upon the view that South Africa might generate growth for the whole region, as well as the rest of Africa, felt that the role of the new South Africa emerging from the ruins of an apartheid society was not straightforward. A democratic South Africa could not be a donor to the rest of Africa because the legacy of apartheid would require it to use its domestic resources in laying the foundation of true liberty among the victims of apartheid by spreading wealth to them through employment, an equitable incomes policy, housing, health, education and training. There would simply be no surplus funds for aiding Africa. Therefore, the best possible outcome was the generation and exploitation of mutually advantageous arrangements between South Africa and the rest of Africa. The Organization of African Unity had given itself the challenge of developing an African Economic Community within 33 years. The first step involved the creation of subregional integration bodies in parts of Africa where they did not exist. The challenge of harmonizing integration bodies in eastern and southern Africa was massive. The question was under what framework a democratic South Africa would integrate with eastern and southern Africa. For the rest of Africa, bilateral arrangements would be the most likely outcome. That delegation also felt that the essential task now was to remove all remaining obstacles to the creation of an atmosphere conducive to constitutional negotiations. A critical element of that consensus was the phased application of appropriate economic pressure on South Africa.

Some delegations expressed agreement with the view taken in the Secretary-General's report on the potential contribution of TNCs in a post-apartheid South Africa. Future reports should define their role further, in particular in the field of training and entrepreneurship development.

A representative of a trade union organization stressed the valuable contribution of the Centre in the struggle for a united, non-racial, non-sexist, democratic South Africa. He deplored the haste with which Governments had rushed to relax sanctions. He stressed that high rates of employment growth would be essential to a post-apartheid South Africa. Collective bargaining would be needed to address the question of fair wages, and in that regard, a strong trade union movement would be crucial. The private sector must upgrade technology and training for new skills, while the Division of TNCs and Management must develop guidelines to encourage companies to accelerate the pace of change in training and education.

Action taken by the Commission

The Commission took note of the report on transnational corporations in South Africa (E/C.10/1992/6) and the report of the Secretary-General on transnational corporations with interests in South Africa (E/C.10/1992/7).